

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

BOND AMENDMENT STAFF REPORT

ISSUE: EB Property Management, LLC (EB) requests an amendment to certain documents related to the I-Bank's tax-exempt Variable Rate Demand Industrial Development Revenue Bonds, Series 2005 (Alegacy Foodservice Products Group, Inc. & Eagleware Manufacturing Company, Inc. Project) (2005 Bonds). The amendments will extend the maturity date of the 2005 Bonds by five years and one month, and result in an extension of the weighted average maturity of the 2005 Bonds, which will trigger a reissuance for federal tax law purposes. This tax reissuance will allow EB to take advantage of a provision of the federal American Recovery and Reinvestment Act (ARRA) permitting tax-exempt bonds issued during 2010 to bear interest that is not subject to the alternative minimum tax (AMT).

BACKGROUND INFORMATION:

On June 21, 2005, the I-Bank Board approved Resolution 05-13 authorizing the issuance of industrial development tax-exempt bonds in an amount not to exceed \$6,700,000 on behalf of EB Property Management, LLC. EB leases a manufacturing facility located in the City of Santa Fe Springs to Alegacy Foodservice Products Group, Inc. & Eagleware Manufacturing Company, Inc. (Users). Alegacy Foodservice Products Group, Inc. is a distributor of food service cookware, supplies and equipment, and a manufacturer of a variety of related items from plastic materials. Eagleware Manufacturing Company, Inc. is a manufacturer of professional grade pots, pans and related cookware.

The proceeds of the I-Bank's 2005 Bonds were used for the acquisition of a 113,658 square foot building situated on 5.05 acres and payment of certain costs of issuance. The 2005 Bonds are secured by a direct pay letter of credit from Comerica Bank (LOC). The Staff Report dated June 21, 2005, and a copy of Resolution 05-13 are attached for a more complete description of the project and financing structure (see **Attachment A**).

NEED FOR AMENDMENT:

Federal tax law classifies tax-exempt interest on certain private activity bonds, such as the 2005 Bonds, as a preference item to be included in the calculation of the bondholder's Federal alternative minimum tax obligation. The ARRA authorizes issuers to issue bonds during 2009 and 2010 that bear interest that is not subject to the AMT (referred to as "non-AMT bonds"). As a result of these provisions of the ARRA, EB now has the opportunity to reissue the 2005 Bonds for tax purposes as non-AMT bonds. EB estimates that the more favorable tax treatment of the interest on the reissued bonds will result in a savings of approximately 0.10% to 0.20% in annual debt service costs over the next twenty years.

Amendments to the Indenture and Loan Agreement, and are necessary to extend the maturity date five years and one month from 2035 to 2040. The extension of the maturity of the bonds requires bondholder consent and results in the reissuance of the tax exempt 2005 Bonds for tax purposes. A new TEFRA hearing was conducted on March 1, 2010. Because the proposed amendments require bondholder consent, they do not fit within the scope of the Executive Director's existing delegated authority, established by Resolution 08-35.

RECOMMENDATION: Staff recommends approval of Resolution 10-11 authorizing the extension of maturity date for the California Infrastructure and Economic Development Bank Variable Rate Demand Industrial Development Revenue Bonds, Series 2005 (Alegacy Foodservice Products Group, Inc. & Eagleware Manufacturing Company, Inc. Project), which will result in the extension of the weighted average maturity and tax reissuance of the 2005 Bonds.

ATTACHMENT A
June 21, 2005 Staff Report and Resolution 05-13

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)
INDUSTRIAL DEVELOPMENT REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY			
Borrower:	EB Property Management, LLC, or a related party (the "Borrower")	Amount Requested: Not to exceed \$6,700,000 tax-exempt	
Project User:	Alegacy Foodservice Products Group, Inc. & Eagleware Manufacturing Company, Inc. (collectively the "Users" or "Company")	Type of Resolution:	Final
Company Description:	Alegacy is a distributor of food service cookware, supplies and equipment, and a manufacturer of a variety of related items from plastic materials. Eagleware is a manufacturer of high-quality, professional grade pots, pans and related cookware.	Date of Board Meeting:	June 21, 2005
		Resolution No.:	05-13
		I-Bank Staff:	Jeffrey Emanuels and Tara Dunn
Project Site:	12681 & 12683 Corral Place (Building #4 in the Bloomfield Business Center II), City of Santa Fe Springs (Los Angeles County).		
Uses of Bond Proceeds:	Proceeds of the proposed bond issue will be used for the following: (i) acquisition of an existing approximately 113,658 square foot building situated on approximately 5.05 acres, and (ii) payment of certain costs of issuance.		
Public Benefits:	Company officials project creating a total of 22 net new jobs in Santa Fe Springs within two years of project completion, and retaining approximately 58 existing jobs.		
Anticipated Financing Structure:			
Type of Issue:		Publicly offered variable rate demand bonds with a weekly interest rate setting mechanism.	
Tax Status:		Tax-exempt small issue industrial development bonds.	
Term:		30 years.	
Credit Enhancement:		An irrevocable, direct-pay letter of credit issued by Comerica Bank.	
Expected Credit Rating:		The bonds are expected to be rated "A/A-1+" by Standard & Poor's, based upon Comerica's credit rating. The bonds will not be backed or guaranteed by the I-Bank or the State of California.	
Est. Sources of Funds (000's):		Est. Uses of Funds (000's):	
Bond Proceeds		Acquisition of New Building	
Equity Contribution		Land	
		Equipment	
		Cost of Issuance	
TOTAL SOURCES		TOTAL USES	
\$9,185,000		\$9,185,000	
Financing Team:			
Bond Counsel:		Kutak Rock LLP	
Underwriter:		RBC Dain Rauscher, Inc.	
Financial Advisor:		Growth Capital Associates, Inc.	
Trustee:		Wells Fargo Bank, N. A.	
Credit Enhancement Provider:		Comerica Bank	
Staff Recommendation:			
Staff recommends approval of Final Resolution 05-13, for an amount not to exceed \$6,700,000 for EB Property Management, LLC, or related entity.			

BACKGROUND AND BORROWER DESCRIPTION

EB Property Management, LLC, or related entity (the "Borrower"), is seeking tax-exempt industrial development bond financing for the benefit of Alegacy Foodservice Products Group, Inc. ("Alegacy") & Eagleware Manufacturing Company, Inc., ("Eagleware") (collectively the "Users" or "Company") for an amount not to exceed \$6,700,000. Alegacy provides quality crafted professional food service supplies to an extensive distributor and dealer network and features one of the world's largest selections of professional supplies from around the world. Eagleware primarily manufactures high-quality, professional grade pots, pans and related cookware. Major customers for Alegacy include Smart & Final, Sysco Corporation, Economy Restaurant Supply and Restaurant Depot. Major customers for Eagleware include Alegacy and Browne-Halco, Inc.

PROJECT DESCRIPTION

Since 1981, the administrative, distribution and manufacturing operations of the Users have been located in an approximately 70,000 square foot building located in the Rancho Dominguez area of unincorporated Los Angeles county. The Users lease this building from an unrelated third-party. Over the past 23 years, the Users' operations have grown significantly and now fully occupy the building. As a result of this growth, there is no room available in the building to support the future growth of the business and the lack of space has led to production inefficiencies and bottlenecks. Various production activities are performed in disparate areas of the building, and production related materials and finished goods must be moved significant distances, disrupting a cost-efficient flow of production. In addition, the building and neighboring streets were not designed to accommodate the space requirements of modern shipping containers and trucks and trailers. Frequently the streets are blocked or congested by large trucks serving the Users and neighboring businesses.

The building at the project site is approximately 62% larger than the Users' current facility. This larger facility will be adequate to support the future sales growth and allow production activities to be consolidated into a single, large area within the building. Further, the project site and surrounding development has been designed to accommodate the free flow of large trucks and other vehicles delivering and distributing products and materials without causing excess congestion and blocking of streets. The project site is less than 15 miles from the Company's current location and it is expected that all of the Company's current employees will relocate to the new location. Los Angeles County has provided a relocation letter stating that they have no objection to the issuance of Bonds for the proposed project.

PUBLIC BENEFITS

Company officials project creating 22 net new jobs statewide within two years of project completion, and retaining approximately 58 existing positions. Taken together, the new and existing positions equate to one job per \$83,875 in tax-exempt bond financing.

Much of the production of cookware that historically occurred in the United States has been steadily transferred overseas. While the Users pride themselves on producing high-quality cookware products with the "Made in USA" label, Company officials report that Eagleware remains the only manufacturer of aluminum professional-grade cookware in California, and they are under constant pressure to reduce costs to compete with lower cost products. Expansion is critical in order for the Company to gain production efficiencies and capacity to meet demands for their products. If the Users were unable to undertake this or a similar move utilizing low-interest rate bond financing, the Company has indicated that it might consider out-sourcing production to suppliers in other states or overseas.

California Debt Limit Allocation Committee (CDLAC) Small-Issue Industrial Development Bond (IDB) Program Scoring Summary. CDLAC Small-Issue IDB Program projects can be awarded a maximum of 85 points. No minimum point threshold has been established. The table below summarizes the total number of points CDLAC staff has awarded the Project based upon the CDLAC Small-Issue IDB Program criteria.

Evaluation Criteria:	Maximum Points Possible:	Project Points:
Community Economic Need:	25	5
Job Creation/Retention:	25	0
Welfare to Work:	5	5
Payment of Benefits:	5	5
Average Hourly Wage:	5	5
Land Use/Energy Efficiency:	15	15
Leverage:	5	0
Total:	85	35

The California Debt Limit Allocation Committee (CDLAC) Board approved \$6,700,000 in private activity bond at its meeting on May 19, 2005 meeting for EB Property Management, LLC.

PERMIT APPROVALS

The City of Santa Fe Springs and the Borrower have confirmed that the proposed Project meets all zoning and land use ordinances, and that all necessary local approvals have been received. Construction of the building is expected to be completed by the end of this month, and the Company expects to move in within 60 to 90 days.

TEFRA HEARING AND LEGAL QUESTIONNAIRE

A Tax Equity and Fiscal Responsibility Act ("TEFRA") hearing was held on June 13, 2005, following public notices that were published in newspapers of general circulation within the counties of Sacramento and Los Angeles. No written or oral comments were received prior to, during, or following the hearing, and staff is not aware of any negative aspects or opposition to the proposed financing.

The Borrower has provided a completed and signed legal questionnaire. No information was disclosed in the answers to the questionnaire that would lead staff to question the financial viability or legal integrity of the Borrower.

FINANCING DETAILS

Upon approval of private activity bond allocation from the California Debt Limit Allocation Committee (CDLAC) on May 19, 2005 and adoption of this resolution from the I-Bank Board, the Borrower has requested the I-Bank to issue \$6,700,000 of tax-exempt variable rate demand bonds with a weekly interest rate setting mechanism. The bonds will be credit enhanced by an irrevocable, direct-pay letter of credit issued by Comerica Bank. The Bonds are expected to be rated "A/A-1+" by Standard & Poor's, based upon Comerica's credit rating.

In no event shall the bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the bonds. The bonds shall constitute a special obligation of the I-Bank, payable solely from revenues or other sources provided for in a loan agreement between the I-Bank and the Borrower.

FINANCING TEAM

Bond Counsel:	Kutak Rock LLP
Underwriter:	RBC Dain Rauscher. Inc.
Financial Advisor:	Growth Capital Associates, Inc.
Trustee:	Wells Fargo Bank, N. A.
Credit Enhancement:	Comerica Bank

ELIGIBILITY REVIEW

The proposed financing meets the following public interest criteria as required by Section 63046 of the Government Code: 1) The financing is for a project in the State of

California; 2) based upon the requirement that the transaction will be supported by a letter of credit, the Borrower is capable of meeting the obligations incurred under relevant agreements; 3) the payments to be made by the Borrower to the I-Bank under the Loan Agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the payments on the bonds; and 4) the proposed financing is appropriate for the specific project. Additionally, the project is consistent with the I-Bank's Policies and Procedures for Conduit Revenue Bond Financing.

RECOMMENDATION

Staff recommends approval of Final Resolution 05-13 for an amount not to exceed \$6,700,000 for EB Property Management, LLC, or a related entity.

RESOLUTION NO. 05-13

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING THE SALE AND ISSUANCE OF NOT TO EXCEED \$6,700,000 CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK VARIABLE RATE DEMAND INDUSTRIAL DEVELOPMENT REVENUE BONDS, SERIES 2005 (ALEGACY FOODSERVICE PRODUCTS GROUP, INC. & EAGLEWARE MANUFACTURING COMPANY, INC. PROJECT) FOR THE ACQUISITION, CONSTRUCTION, REHABILITATION, INSTALLATION AND EQUIPPING OF CERTAIN PROPERTY AND FACILITIES, PROVIDING THE TERMS AND CONDITIONS FOR THE SALE AND ISSUANCE OF SAID BONDS AND OTHER MATTERS RELATING THERETO AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS HEREIN SPECIFIED

WHEREAS, the California Infrastructure and Economic Development Bank (the "Issuer") was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 et seq.), as now in effect and as it may be amended or supplemented (the "Act"), for the purpose of, among other things, providing financial assistance for the design, construction, financing and development of economic development facilities (as such term is defined in the Act) located in the State of California (the "State"); and

WHEREAS, Issuer is authorized to issue tax-exempt revenue bonds to provide financing for economic development facilities pursuant to the Act; and

WHEREAS, the Board of Directors of the Issuer adopted Resolution No. 05-01 on January 25, 2005, expressing its intention to issue industrial development bonds for the benefit of EB Property Management, LLC (the "Applicant") to pay the cost of, or reimburse the Applicant for, financing the (1) acquisition of the real property and improvements located at 12681 and 12683 Corral Place, Santa Fe Springs, California 90670 consisting of approximately 5.05 acres of land and an industrial building containing approximately 113,658 square feet (the "Facility"), (2) improvement of the facility located at the Project Site, (3) acquisition and installation of manufacturing equipment at the Facility, and (4) payment of capitalized interest and certain costs of issuance in connection with the Bonds to be issued by the Issuer (together, the "Project") for the benefit of the Applicant or a related or successor entity; and

WHEREAS, the Project will be operated by Alegacy Foodservice Products Group, Inc. and Eagleware Manufacturing Company, Inc. (collectively, the "Operator") and owned by the Applicant; and

WHEREAS, the Operator will use the Project to manufacture and distribute a variety of food service and professional-grade cookware and food service related items, or for the manufacture of other tangible personal property; and

WHEREAS, for purposes of financing a portion of the cost of the Project, the Issuer now desires (a) to authorize the issuance of its Variable Rate Demand Industrial Development Revenue Bonds, Series 2005 (Alegacy Foodservice Products Group, Inc. & Eagleware Manufacturing Company, Inc. Project) in an aggregate principal amount not to exceed \$6,700,000 (the "Bonds"), (b) to provide for the sale of the Bonds, (c) to provide for the payment of the principal of, premium, if any, and interest on the Bonds with revenues derived from the loan of proceeds of the sale of the Bonds (except for any amount representing accrued interest on the Bonds) to the Applicant to finance the costs of the Project pursuant to the terms and provisions of a loan agreement and (d) to take and authorize certain other actions in connection with the foregoing; and

WHEREAS, the Issuer may not issue the Bonds to finance the Project until the Board of Directors of the Issuer makes certain determinations relating to the Project as required by the Act; and

WHEREAS, there is now on file with the Secretary of the Issuer the following:

(a) a proposed form of the Loan Agreement (the "Loan Agreement"), to be entered into by and between the Issuer and the Applicant;

(b) a proposed form of the Indenture of Trust (the "Indenture"), to be entered into between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"), providing for the authorization and issuance of the Bonds to be dated the date of delivery thereof;

(c) a proposed form of the Purchase Contract (the "Purchase Contract"), to be entered into by and among the Issuer, the Treasurer of the State of California and RBC Dain Rauscher, Inc., as underwriter (the "Underwriter"), and approved by the Applicant;

(d) a proposed form of the Tax Regulatory Agreement (the "Tax Regulatory Agreement"), to be entered into by and among the Issuer, the Applicant, the Operator and the Trustee; and

(e) a proposed form of the Official Statement (the "Official Statement") to be used by the Underwriter in connection with the sale of the Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank, as follows:

Section 1. The form of the Loan Agreement on file with the Secretary of the Issuer is hereby approved and the Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Loan Agreement, and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof. The Issuer further authorizes and approves the loan of the proceeds of the Bonds (except any amount representing accrued interest

on the Bonds) to the Applicant in order to finance a portion of the cost of the Project pursuant to the terms and provisions of the Loan Agreement.

Section 2. The form of the Indenture on file with the Secretary of the Issuer is hereby approved and the Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver to the Trustee the Indenture, and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 3. The form of the Purchase Contract on file with the Secretary of the Issuer is hereby approved and the Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Purchase Contract, and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 4. The form of the Tax Regulatory Agreement on file with the Secretary of the Issuer is hereby approved and the Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Tax Regulatory Agreement with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 5. The form of the Official Statement on file with the Secretary of the Issuer is hereby approved and the Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute the Official Statement with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof. The Underwriter is hereby authorized to distribute copies of the Official Statement in connection with the sale of the Bonds.

Section 6. The Issuer approves the issuance on a tax-exempt basis of not to exceed \$6,700,000 aggregate principal amount of the Bonds for the Project in accordance with the terms of and to be secured by the Indenture. Payment of the principal of, premium, if any, and the interest on, the Bonds shall be made solely from the revenues to be received by the Issuer pursuant to the Loan Agreement and the Indenture, and said Bonds shall not be deemed to constitute a debt or liability of the Issuer or the State. The Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and directed to execute, in the name and on behalf of the Issuer, by manual or facsimile signature, the Bonds, and the Secretary of the Issuer is hereby authorized and directed to attest, by manual or facsimile signature, thereto in an aggregate principal amount not to exceed \$6,700,000, in accordance with the Indenture and in the form set forth in the Indenture. The Bonds shall bear interest at the rates

to be determined in accordance with the Indenture. In no event shall the rate of interest on the Bonds exceed 12% per annum or the maximum rate permitted by law whichever is lower.

Section 7. The Bonds, when so executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate and register the Bonds so delivered by executing the appropriate Certificate of Authentication and Registration appearing thereon, and to deliver the Bonds, when duly executed, authenticated and registered, to the Underwriter in accordance with written instructions executed on behalf of the Issuer by the Chair or Executive Director of the Issuer or the Chair's designee which instructions said officer is hereby authorized and directed, for and in the name of and on behalf of the Issuer, to execute and to deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Underwriter upon payment of the purchase price therefor.

Section 8. Based upon representations made by the Applicant, the Board of Directors of the Issuer hereby finds and determines:

- (a) that the Project is located in the State;
- (b) that based upon the requirement that the Bonds will be secured by a direct-pay, irrevocable letter of credit, the Applicant is capable of meeting its obligations with respect to the Bonds to be issued for the Project;
- (c) that the payments to the Issuer are adequate to pay all expenses of the Issuer in connection with the issuance and payment of the Bonds;
- (d) that the issuance of the Bonds is an appropriate financing mechanism for the Project;
- (e) that the Project is consistent with any existing local or regional comprehensive plans; and
- (f) the Project demonstrates clear evidence of a defined public benefit.

Section 9. The Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized to execute all documents, certificates and instruments necessary or appropriate to this transaction and the issuance of the Bonds. All actions required to be undertaken by the Secretary of the Issuer that are necessary or appropriate to this transaction and the issuance of the Bonds may be undertaken by the Secretary's designee.

Section 10. All actions heretofore taken by the officers and agents of the Issuer with respect to the approval, issuance and sale of the Bonds are hereby approved, confirmed and ratified, and the officers of the Issuer and their authorized designees, deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and documents which they or bond counsel may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution.

Section 11. This Resolution shall take effect from and after its adoption.


PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on June 21, 2005, by the following vote:

AYES: SHEEHAN, REID, KELLEY, LUJANO

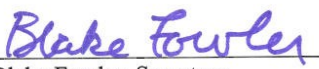
NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

By 
Stanton C. Hazelroth, Executive Director

Attest:

By 
Blake Fowler, Secretary